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INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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UNCLAS SECTION 01 OF 02 JERUSALEM 000607

SIPDIS

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAIN/BELGRADE; NSC FOR ABRAMS/DORAN/WATERS;
TREASURY FOR NUGENT/HIRSON

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [PREL](#) [KWBG](#) [IS](#)

SUBJECT: HEBRON BUSINESSMEN SURVIVING BUT FEAR GREATER
ACCESS RESTRICTIONS

1. (SBU) SUMMARY: Hebron business leaders told Econoffs March 28 that they fear their current access to Israeli markets through Tarqumiya crossing could quickly deteriorate if back-to-back procedures are implemented there, since their products cannot easily be transferred back-to-back. In addition, internal closures in the Hebron area raise costs and create uncertainties that impede further investment. They asked the USG to urge the GOI to maintain Tarqumiya's current procedures, remove obstacles to movement, and enable greater access for Palestinian businessmen to Israel. END SUMMARY.

TARQUMIYA CROSSING WORKING, FOR NOW

2. (SBU) Econoffs met March 28 with businessmen representing some of the largest local export industries in Hebron, including Abed Atrash, owner of a stone and marble factory (USD 20 million net worth); Nazmi Haddad, owner of a steel rod factory (USD 20 million net worth); and Wael Herbawi, owner of a sponge and mattress factory (USD 50 million net worth) who told us he supplies over half the Israeli hotel industry. Fifty-five to 68 percent of their sales are to Israel, which they ship through Tarqumiya crossing in the southern West Bank. Two of the companies own and operate a fleet of Israeli-licensed trucks, which can cross Tarqumiya without undergoing back-to-back procedures. The other avoids unloading his cargo by using detachable containers that exchange Palestinian truck cabs for Israeli truck cabs at Tarqumiya. All three businessmen requested longer operating hours at Tarqumiya, but said current procedures are otherwise manageable.

3. (SBU) However, the owners expressed fear that their products' access to Israel could quickly deteriorate and lead to the collapse of their businesses if a back-to-back system is imposed when the new terminal at Tarqumiya opens in May. Herbawi estimated that a back-to-back system would increase the time to process trucks from Hebron at least thirteen-fold. Additionally, each owner said his products were poorly suited to back-to-back procedures. Existing scanners cannot scan stone, pallets subject mattresses to damage, and the logistics of unloading and scanning twelve-meter steel bars have not been developed. The businessmen predicted that a back-to-back process would double costs, damage products, and multiply uncertainties, leading to roughly 7,000 jobs lost in the stone and marble industry, 300 jobs lost (75 percent) at the mattress factory, and the cessation of steel factory operations.

¶4. (SBU) The businessmen asserted that the GOI recently published new instructions for West Bank crossing points, including Tarqumiya, implying that a back-to-back system will be required. (NOTE: Econoff has acquired a copy of these instructions. END NOTE.) Owners worry that this is only a first step toward reduced access from the West Bank to Israel, on the model of Karni/al-Mintar crossing. This uncertainty holds back expansion plans of the more prosperous owners, they said.

INTERNAL CLOSURES ARE THE REAL PROBLEMS

¶5. (SBU) Obstacles to movement in and around Hebron currently have the most immediate impact on businesses. Flying checkpoints sometimes prevent the import of raw materials. The main gate to the Hebron industrial estate has been closed since 2000, requiring detours that clog Hebron streets while doubling the time and cost to move goods to Tarqumiya. In one instance, poor roads caused a truck carrying a 27-ton marble block to lose control, destroying five other vehicles in its path. Atrash noted that, if the main gate to the Hebron industrial estate were opened, lower transport costs would allow him to increase production by up to 40 percent.

¶6. (SBU) The steel factory's access to the nearest road has been blocked by an earthen mound since 2001, and Haddad noted that workers, truckers, and potential customers have to trespass on private land to reach the factory. If land owners cut off access, Haddad said, it will suffocate his business. (COMMENT: Opening the gate to the industrial estate and the main highway to the steel factory could help

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these business owners to stimulate production and cushion the economy during the downturn. END COMMENT.)

FACILITATING BUSINESS TRAVEL

¶7. (SBU) The owners noted that they had not received a Businessman's Card (BMC), which once provided preferential access to Israel for West Bank businessmen. Herbawi argued that more BMCs need to be issued and the issuance process should be more transparent. He added that the BMC card is now valid for only six months, half the period of the original cards, with more restrictions.

WALLES